

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
UNITED STATES DEPARTMENT OF COMMERCE**

USTR PRESS RELEASES ARE AVAILABLE ON THE USTR WEBSITE AT WWW.USTR.GOV

**FOR IMMEDIATE RELEASE:
NOVEMBER 26, 2002**

CONTACT:

**02-112
RICHARD MILLS/USTR
(202) 395-3230
TREVOR FRANCIS/ DOC
(202) 482-4883**

**U.S. Proposes Tariff-Free World,
WTO Proposal Would Eliminate Tariffs on Industrial and Consumer Goods by 2015**
Duty-Free Trade Would Help Consumers, Producers, Poor

WASHINGTON - The United States announced today an ambitious new proposal calling on members of the World Trade Organization (WTO) to eliminate all tariffs on consumer and industrial goods by 2015. Demonstrating continued U.S. leadership in the Doha Development Agenda, the U.S. plan for zero tariffs is comprehensive, and would benefit both developed and developing nations.

This proposal, combined with the far-reaching U.S. agricultural reform proposal submitted to the WTO in July, would eliminate tariffs on the nearly \$6 trillion in annual world goods trade, lifting the economic fortunes of workers, families, businesses, and consumers. These two proposals call on all WTO members to advance free trade and complete the tariff-cutting work that began more than 50 years ago with the creation of the General Agreement on Tariffs and Trade in 1948.

“Our proposal would turn every corner store in America into a duty-free shop for working families,” said U.S. Trade Representative Robert B. Zoellick. “This historic proposal would benefit the average American family of four with an extra \$1,600 a year, while also removing high foreign tariff barriers on more than \$670 billion in U.S. industrial and consumer goods exports. Globally, tariff-free trade could help lift millions of people in developing countries out of poverty.”

“President Bush believes that American workers, farmers, ranchers and businesses must have more than just the ability to compete globally, they must also have the opportunity to do so,” said U.S. Commerce Secretary Don Evans. “This proposal says that ‘no one wins unless we all win’ and ensures a level playing field for America's goods and ingenuity to compete fairly around the world.”

The U.S. proposal would eliminate tariffs on a full-range of consumer and industrial goods ranging from women's shoes, to tractors, to children's toys. The proposal, which will be presented to WTO members next week in Geneva, Switzerland, calls for a two-step approach to tariff elimination. First, WTO members must cut and harmonize their tariffs in the five year period from 2005 to 2010. Specifically, WTO members would eliminate all tariffs at or below 5

percent by 2010, cut all other tariffs through a “tariff equalizer” formula to less than 8 percent by 2010, and eliminate tariffs in certain highly traded industry sectors as soon as possible, but not later than 2010.

The second step calls for all members to make equal annual cuts in remaining tariffs between 2010 and 2015. These cuts would result in zero tariffs. The proposal also calls for a separate program to identify and eliminate non-tariff barriers, which would run on a parallel track with the negotiations on industrial tariffs. The United States will put forward an initial list of such barriers in January.

The elimination of U.S. tariffs would significantly benefit U.S. families and consumers through lower import taxes and a more competitive economy. Last year alone, hidden import taxes cost American consumers \$18 billion. Duty-free trade would eliminate these hidden costs and lower prices for consumers. While this proposal would offer substantial benefits to all Americans, it would particularly help low-income families. A recent study by the Progressive Policy Institute found that cutting U.S. import taxes especially benefits single-parent, low-income families, who typically pay a higher proportion of their income on import taxes than other households. A University of Michigan study found that the U.S. economy would expand by \$95 billion as a result of tariff-free trade - contributing to job-creation and higher wages.

U.S. consumer and industrial goods exports totaled more than \$670 billion in 2001. U.S. exports support an estimated 12 million American jobs, and jobs supported by goods exports typically pay 13 percent to 18 percent higher than the average U.S. wage. The University of Michigan study also found that the elimination of industrial tariffs by other countries could increase U.S. exports by \$83 billion annually. Highly-traded goods exports, such as chemicals, paper, and scientific equipment, which are targeted in the U.S. proposal for expedited tariff elimination, account for 60 percent of total U.S. goods exports.

Developing countries also have much to gain from a tariff-free world. According to a World Bank estimate, there would be a world income gain of \$832 billion from free trade in all goods including agriculture, of which \$539 billion (65 percent) would flow to developing countries. This represents \$544 for a family of four. The World Bank estimates that free trade in goods and services could help lift 300 million people out of poverty - a number greater than the entire population of the United States.

The U.S. proposal on consumer and industrial goods tariffs results in tariff-free trade for 91 percent of world goods trade. For the remaining 9 percent of world goods trade, the U.S. agriculture proposal would cut global tariffs by 76 percent in five years as a step towards eventual tariff elimination.

Background:

The reduction and elimination of tariffs on consumer and industrial goods is a component of the WTO negotiations launched in Doha, Qatar in 2001 to be completed by January 1, 2005.

Throughout the year, United States leadership has continued to spur momentum on the Doha Development Agenda in the WTO:

- On July 1, the United States announced proposals for liberalizing global trade in services, designed to remove foreign barriers in areas such as financial services, telecommunications, and environmental services.

- On July 25, the United States became the first WTO member to put forward a comprehensive agricultural trade reform proposal, calling for elimination of export subsidies, cuts of \$100 billion in annual allowed global trade-distorting domestic subsidies, and lowering average allowed global tariffs from 62 percent to 15 percent. The United States also proposed that WTO members agree in this negotiation to a specific date for elimination of agricultural tariffs and trade-distorting domestic support.

- On August 9, the United States submitted a proposal to expand transparency and public access to World Trade Organization dispute settlement proceedings. The proposal would open WTO dispute settlement proceedings to the public for the first time and give greater public access to briefs and panel reports.

- On October 17, the United States submitted a paper highlighting the importance of strengthening transparency and due process in the application of trade remedies (antidumping, subsidies, and safeguard actions). It addresses the basic concepts and principles of the trade remedy rules against unfair trade, and the importance of tackling the trade-distorting practices that are frequently the root causes of unfair trade. The U.S. also submitted a paper presenting a number of ideas and recommendations for addressing trade- and market-distorting practices in the steel sector.

#